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Agenda Item 6a

June 14, 2011

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. **SUBJECT:** Pharmacy Benefit Manager Contract with CVS Caremark
- II. **PROGRAM:** Health Planning and Policy
- III. **RECOMMENDATION:** Approve contract for Pharmacy Benefit Manager (PBM) Services with CVS Caremark.

IV. ANALYSIS:

The purpose of this agenda item is to request that the Health Benefits Committee approve the negotiated contract between CalPERS and CVS Caremark for PBM Third-Party Administrator services.

On March 16, 2011, the CalPERS Board of Administration directed staff to cease contract negotiations with the selected proposer, Medco Health Solutions for the 2012 PBM contract. Pursuant to direction provided by the Board on October 20, 2010, staff began contract negotiations with the second-highest proposer, CVS Caremark.

CalPERS staff has negotiated a contract with CVS Caremark to provide PBM services focused on transparency, specialized services, and customer care. Under the terms of this contract, and upon approval by the Board, CSV Caremark will provide PBM services for the Self-Funded Preferred Provider Organization (PPO) members for a term of three years, with two additional one-year extensions, commencing January 1, 2012.

The CVS Caremark contract includes the following clinical programs:

- Maintenance Choice Program allows members to pick up a 90-day supply of medication directly from a CVS pharmacy at a time that is convenient for them. Members pay their typical mail order co-pay. Members can enjoy same-day prescription availability. Most importantly, members can talk face-to-face with a pharmacist.

- CVS Caremark's Gaps in Care Plus Medical Program will provide a comprehensive utilization review that uses integrated pharmacy and medical claims data to identify potential "gaps" and "omissions" in drug and medical therapy for participating CalPERS Members.
- Targeted Generic Alternative Messaging (TGAM) Program is a member education program that highlights generic therapeutic alternatives in over 15 classes for select single source brands.
- iBenefit is a personalized member mailing that promotes awareness of personal savings opportunities. It will show how much a member can save when they choose the 'best choice' medications (generics and preferred brands) and 90-day supplies where appropriate. This mailing can help save members money and improve generic dispensing rate, as well as remove cost and convenience barriers for improved adherence.

CVS Caremark is committed to providing a seamless transition for CalPERS members enrolled in the PPO Program. Their goal is to maintain the highest levels of clinical integrity and patient health while minimizing member disruption.

CalPERS and CVS Caremark have begun transition activities; highlighted activities include:

- System Interface Requirements (e.g. Benefit structure, pharmacy retail network, pharmacy mail requirements, etc.)
- Communication Plan (e.g. Member notifications, Employer communications, Welcome Kits, Member ID Cards, etc.)
- Customer Service set-up (e.g. CVS Caremark and CalPERS Call Centers requirements, account training, CVS Caremark website development, etc.)

V. STRATEGIC PLAN:

This directly relates to Strategic Goal #10: Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers.

VI. RESULTS/COSTS:

Staff anticipates cost-effectiveness and savings incurred through additional pricing, transparencies advantages, and efficiencies.

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Attachment